

Date Mailed
June 19, 1998

BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN

Application of Wisconsin Electric Power Company for
Authority to Increase Rates for Electric, Natural Gas
and Steam Services

6630-UR-110

**NOTICE OF JOINT TECHNICAL CONFERENCE
AND PREHEARING CONFERENCE
AND HEARING**

**NATURAL GAS RATE DESIGN AND
INCENTIVE GAS COST RECOVERY ISSUES**

Technical /Prehearing Conference July 9, 1998

Date:

Conference Time: 9:00 a.m.

Hearing Date: August 28, 1998

Hearing Time: 9:00 a.m.

**Location (Both Events): Public Service Commission, 610 North Whitney Way,
Madison, Wisconsin**

Note: On June 1, 1998, the Commission held a technical conference and a prehearing conference for this portion of the above-captioned rate case. This is the notice for the second set of technical/prehearing conferences, and for the hearing.

BACKGROUND

On September 22, 1997, Wisconsin Electric Power Company (WEPCO or the Company) filed an application with the Public Service Commission of Wisconsin (Commission) under ss. 196.03, 196.20, and 196.37, Stats., for authority to increase rates for electric, natural gas, and steam services. The filing contained revenue requirement information for the electric, natural gas, and

steam services, and rate design proposals for electric and steam services. The filing did not contain a rate design proposal for natural gas service. WEPCO was in the process of preparing a new unbundled natural gas rate design that was not complete at the time of the initial filing in this case.

The Commission determined that, rather than delay the entire case to wait for the natural gas rate design to be completed, the case should be bifurcated. The initial phase of the case addressed all revenue requirement issues and rate designs for electric and steam services. The Commission issued orders in that phase of the case on December 23, 1997, and on April 30, 1998. Revenue requirement increases to natural gas customers were allocated to rate classes on a *pro rata* basis in those orders.

On April 15, 1998, WEPCO filed its proposed natural gas rate design, along with supporting cost-of-service studies. This filing marked the beginning of the second phase of the case. This phase will address the natural gas rate design and related issues. Included in this phase of the case is the Company's incentive gas cost recovery mechanism (GCRM), which was filed on July 2, 1997, pursuant to the Commission's order in docket 05-GI-106. The Commission determined that it was appropriate to make the review of this filing an issue in this phase of the rate case rather than having a separate investigation.

Summary of the Company's Applications

WEPCO is, in this case, proposing major changes related to its natural gas system operations. In its pre-filed testimony, the Company states that it must prepare for the day when it has a significantly reduced role as a natural gas merchant. WEPCO believes that it will continue on the evolutionary path from a comprehensive natural gas provider to a distribution service company, as more customers procure their own gas supplies. That is to say, in the future WEPCO may serve as only the distributor of natural gas supplies procured from third parties. If this happens, the Company asserts, it will need to impose limitations on deliveries of natural gas on its system so that it can maintain the pressures necessary to maintain system integrity. If WEPCO's proposals in this regard are adopted, transportation customers and natural gas marketers may find certain currently allowed transactions to be prohibited by the new tariffs.

WEPCO has filed a substantially different cost-of-service study compared to those filed in past cases. One of the major revisions is the inclusion of the five functional areas approved by the Commission for all natural gas utilities in docket 05-GI-108, Phase I: (1) basic distribution service; (2) competitive supply; (3) daily balancing; (4) peak day backup; and (5) enhanced or other services. These components are separately priced where appropriate in WEPCO's proposed rate design.

WEPCO is proposing to offer only firm distribution service for all customers except for power generation customers. This, the Company claims, will reflect the fact that, absent a *force majeure* condition, it has sufficient distribution capacity to distribute gas delivered to its city gates. As required by the Commission's order in docket 6630-UR-109, WEPCO proposes to eliminate the partial

interruptible rate class. WEPCO is proposing to: (1) change the period of peak demand cost collection from November through March to November through April; (2) establish a combined firm distribution capacity/gas supply interruption crediting service; (3) revise the accounting treatment of penalty revenues collected from customers who take unauthorized natural gas from the company; and (4) modify the gas cost recovery calculations to recognize gas that is determined to be lost or unaccounted for.

WEPCO is proposing four major changes to balancing service: (1) to establish a contractual swing quantity for customers and marketers; (2) to change from a monthly to a daily basis for what is often referred to as “cashout”; (3) to modify the tariffs regarding constraint days, selective constraints, and interruption rules; and (4) to modify tariff language to permit transportation customers to choose either Company Default Balancing Service (CBS) or Gas Supplier/Demand Aggregator Balancing Service (DABS).

WEPCO is proposing to modify the nomination procedures laid out in its current tariffs. These changes include revisions to the manner in which data can be provided to the company by transporters, revisions to the due dates and times for nominations for each gas day, revisions to its nominations procedures to conform with the Gas Industry Standards Board’s (GISB’s) requirements, changes in the treatment of non-local-distribution-company balancing services, clarifications to the definition of the term “nominations,” implementation of intra-day nomination procedures, and changes to the conditions for city gate gas supply trading.

WEPCO is proposing to clarify its pool interruption and rotation list, and revise its rules for combining customer loads and the associated removal of customer meters.. It is proposing to modify its authorization to “valve off” customers that fail to interrupt when requested to do so. It wishes to remove the base pressure adjustment factor from current billing calculations. It is proposing to implement a fee schedule for complete copies of its tariffs.

WEPCO is requesting that the transportation administration charge be increased from \$75 per month to \$150 per month. It requests that the remote meter charge be increased from \$2,300 to \$4,310. It wishes to modify the existing tariff language to allow it to waive imbalance penalties that were generated because of remote meter reading errors. The Company also is proposing to eliminate the take-or-pay surcharge. It is proposing specific treatment of transportation customers that do not return signed contracts to WEPCO.

WEPCO is proposing to change the name of the Nominated Daily Backup Service to the LDC Reserved Gas Supply Service, a name which it believes is more descriptive of the service being provided under this tariff. It is also proposing to change the manner in which this service is billed to the customer.

The proposed GCRM is expected to operate in a similar fashion to the current Purchased Gas Adjustment Clause with the exception that WEPCO has proposed it assume some risk and reward relative to capacity release and opportunity sales estimates. WEPCO has proposed that the difference between estimated and actual capacity release and opportunity sales revenues be shared between ratepayers and shareholders, 80 percent and 20 percent, respectively.

Copies of the Company's application can be obtained by written request to Wisconsin Electric Power Company at its office at 231 West Michigan Street, P.O. Box 2046, Milwaukee, Wisconsin 54201-2046. Please indicate that you are interested in the natural gas rate design and gas cost recovery portion of the case.

This is a Type III action under s. PSC 4.10(3), Wis. Adm. Code. No unusual circumstances suggesting the likelihood of significant environmental consequences have come to the Commission's attention. Neither an environmental impact statement under s. 1.11, Stats., nor an environmental assessment is required.

Due to the large number of significant issues in this portion of the case, it was determined that it was appropriate to hold a technical conference on this matter on June 1, 1998. A prehearing conference was held also on June 1, 1998. At the prehearing conference a filing schedule was set. All filings are to be in the hands of the parties and the Commission according to the schedule given below:

July 21	4:30 p.m.	Utility supplemental testimony due
July 28	4:30 p.m.	Staff and intervenor testimony due
August 18	4:30 p.m.	Rebuttal testimony due (all parties)
August 27	12:00 noon	Surrebuttal testimony due (all parties)
August 28	9:00 a.m.	Hearing begins

Notice of Technical and Prehearing Conferences and Hearing

At the prehearing and technical conferences, it was determined that a second round of prehearing and technical conferences would facilitate the development of the record in this proceeding. The purpose of the second prehearing conference is to: (1) identify additional parties who will actively participate as full parties; (2) revise the issue list, if necessary; (3) consider other matters that will facilitate the hearing. Full parties will be bound by the designation of issues and the schedules adopted at the prehearing conferences. Consequently, persons who consider themselves to be potential full parties should take part in the July 9 prehearing conference. If you intend to participate as a full party,

and are not currently designated as one, you must enter an appearance at one of the prehearing conferences or indicate such interest in writing to the Public Service Commission, Examining Division, pursuant to s. PSC 2.32(3), Wis. Adm. Code.

The purpose of the second technical conference is to continue with the discussion of technical issues that began at the June 1, 1998 conference. The technical conference is an informal, off-the-record meeting designed to improve the flow of information among the parties.

NOTICE IS FURTHER GIVEN that Commission staff shall file a synopsis or summary of the testimony or other evidence presented at the hearing in this case. The parties, pursuant to s. 196.24(3), Stats, as amended by 1997 Wisconsin Act 204, Section 24, may demonstrate that a synopsis or summary is not sufficiently complete or accurate to fairly reflect the relevant and material testimony or other evidence presented at the hearing.

NOTICE IS HEREBY GIVEN that a joint technical/prehearing conference will be held on July 9, 1998, at 9:00 a.m. in the Pecatonica River Room, 610 North Whitney Way, Madison, Wisconsin. The Pecatonica River Room is located on the basement floor of the building. The room is accessible to people in wheelchairs through the Whitney Way main floor entrance (Lobby). Parking for people with disabilities is available on the south side of the building. Any person with a disability who needs accommodations should contact Richard Teslaw at (608) 267-9766. The technical conference will be held first. When it is completed, the prehearing conference will begin.

NOTICE IS HEREBY GIVEN that a hearing will be held beginning on August 28, 1998 at 9:00 a.m. in the Amnicon Falls Hearing Room, 610 North Whitney Way, Madison, Wisconsin. The Amnicon Falls Hearing Room is located on the main floor of the building. Persons with disabilities please see the paragraph above for information about parking and access to the building.

Questions about the technical conference or about substantive issues in the case should be addressed to Steven Kihm, Natural Gas Division, at (608) 266-3708. Questions about the prehearing conference or about procedural issues in the case should be addressed to Donna Paske, Examining Division, at (608) 267-9537.

Dated at Madison, Wisconsin, _____

For the Commission:

Docket 6630-UR-110

Anita C. Sprenger, Administrator
Natural Gas Division

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